

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**

---

**Financial Report**  
**June 30, 2008**

# **Davison Richfield Senior Citizens Authority**

---

## **Contents**

### **Introductory Section**

List of Appointed Board Members	I
---------------------------------	---

### **Financial Section**

Report Letter	2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Statement of Net Assets and Governmental Fund Balance Sheet – General Fund	6
Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balances – General Fund	7
Notes to the Basic Financial Statements	8-17
Required Supplementary Information Section:	
Budgetary Comparison Schedule	18

## **Introductory Section**

---

# **Davison Richfield Senior Citizens Authority**

---

## **List of Appointed Board Members**

Gerald Richards

Chairperson

James Hansen

Vice Chairperson

Joyce Schneider

Secretary

Karen Miller

Treasurer

Ron Emery

Marion Callis

Norma Vohwinkle

## **Financial Section**

---

## Independent Auditor's Report

Davison Richfield Senior Citizens Board  
Davison Richfield Senior Citizens Authority  
Davison, Michigan

We have audited the financial statements of the general fund and the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the governmental activities of the Davison Richfield Senior Citizens Authority, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Plante & Moran, PLLC*

November 12, 2008

## **Management's Discussion and Analysis**

---

# **Davison Richfield Senior Citizens Authority**

## **Management's Discussion and Analysis**

As management of Davison Senior Citizen's Authority (Authority), we offer readers of Davison Senior Citizen's Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Senior Citizen's Authority.

The basic financial statements for the Davison Senior Citizen's Authority are comprised of the governmental fund balance sheet/statement of net assets, governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental activity for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental activity's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund and government-wide financial statements.

### **Financial Highlights**

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total net assets of the Authority are \$1,319,196 of which \$1,275,077 represents capital assets net of related debt. The liabilities are \$61,267, which represents amounts due to Davison Township of \$25,262, a refundable advance from the County grant of \$6,527, trip deposits payable of \$14,311, \$14,474 of amounts due to vendors and employees, and \$693 capital lease payable. The restricted net assets are restricted for memorials (\$4,566) and the Euchre Club (\$1,076).

Net assets increased \$4,928 for the Authority as a result of \$322,070 in Senior Center expenses which were offset by local contributions and charges for services of \$321,344 and general revenues of \$5,654.

### **General Fund Budgetary Highlights**

The Authority did not amend the original adopted budget during the year. Actual revenues (\$318,988) exceeded actual expenditures (\$301,440) by \$17,548.



# Davison Richfield Senior Citizens Authority

## Management's Discussion and Analysis (Continued)

### Government-wide Financial Analysis

#### Davison Richfield Senior Citizens Authority's Net Assets Governmental Activities

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 104,693	\$ 164,745
Capital assets	<u>1,275,770</u>	<u>1,289,377</u>
Total assets	<u>1,380,463</u>	<u>1,454,122</u>
Other liabilities	60,764	139,161
Long-term liabilities	<u>503</u>	<u>693</u>
Total liabilities	<u>61,267</u>	<u>139,854</u>
Net assets:		
Invested in capital assets, net of related debt	1,275,077	1,288,511
Restricted for memorials	4,566	4,278
Restricted for Euchre Club	1,076	961
Unrestricted	<u>38,477</u>	<u>20,518</u>
Total net assets	<u>\$1,319,196</u>	<u>\$1,314,268</u>

#### Davison Richfield Senior Citizens Authority's Capital Assets - Net of Depreciation Governmental Activities

	<u>2008</u>	<u>2007</u>
Land	\$ 115,437	\$ 115,437
Land improvements	311,343	320,706
Building	816,612	834,454
Vehicles	18,822	-
Furniture and fixtures	12,853	17,936
Equipment capital lease	<u>703</u>	<u>844</u>
Total	<u>\$1,275,770</u>	<u>\$1,289,377</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1,319,196 at the close of the most recent fiscal year. By far the largest portion of the Authority's net assets (97%) reflects its investment in capital assets.

# **Davison Richfield Senior Citizens Authority**

## **Management's Discussion and Analysis (Continued)**

Capital asset activity, in fiscal year 2008, included additions of \$39,525 as follows: primarily enhancements to the senior center building, a van, an air conditioning unit, and various computer equipment. Depreciation expense of \$53,099 was recorded in 2008.

### **Davison Richfield Senior Citizens Authority's Changes in Net Assets Governmental Activities**

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Intergovernmental	\$ 278,142	\$ 229,517
Charges for services	43,202	45,098
General revenues:		
Miscellaneous income	5,654	2,446
Total revenues	<u>326,998</u>	<u>277,061</u>
Expenses and losses:		
Senior Center	<u>322,070</u>	<u>249,465</u>
Total expenses	<u>322,070</u>	<u>249,465</u>
Increase in net assets	4,928	27,596
Net assets beginning of the year	<u>1,314,268</u>	<u>1,286,672</u>
Net assets - end of the year	<u>\$1,319,196</u>	<u>\$1,314,268</u>

Intergovernmental local contributions increased \$48,625 from the prior year. The increase was due to the decrease in revenue recognized for construction on the Authority's building contributed to the Authority by Davison Township (\$38,590), the increase in revenue recognized for the new Genesee County grant (\$204,335) offset by the decrease in local municipal contributions (\$117,120).

Senior Center expenditures increased \$72,605 primarily due to the increased expenses associated with programs (\$14,865), capital expenditures of \$23,528, building maintenance and contracted services of \$15,971 and the increase in newsletter production cost as a condition of the County grant of \$21,568.

### **Contacting the Senior Citizens' Management**

The financial report is intended to provide our citizens and customers with a general overview of the Senior Citizens' finances and to show the Senior Citizens' accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Senior Citizens' office.

## **Basic Financial Statements**

---

# Davison-Richfield Senior Citizens Authority

## Statement of Net Assets and Governmental Fund Balance Sheet General Fund June 30, 2008

	General Fund	Adjustments (Note 2 A)	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 82,418	\$ -	\$ 82,418
Prepaid insurance	2,700	-	2,700
Restricted cash	14,311	-	14,311
Net pension asset	-	5,264	5,264
Capital assets, not subject to depreciation	-	115,437	115,437
Capital assets, subject to depreciation	-	1,160,333	1,160,333
Total assets	<u>\$ 99,429</u>	1,281,034	1,380,463
<b>Liabilities</b>			
Accounts payable	\$ 8,303	-	8,303
Accrued and other liabilities	1,721	-	1,721
Due to other governments	25,262	-	25,262
Trip deposits payable	14,311	-	14,311
Refundable advance	6,527	-	6,527
Noncurrent liabilities:			
Compensated absences - Due within one year	-	4,450	4,450
Capital lease - Due within one year	-	190	190
Capital lease - Due in more than one year	-	503	503
Total liabilities	56,124	5,143	61,267
<b>Fund Balance/Net Assets</b>			
Reserved for prepaids	2,700	(2,700)	-
Reserved for Euchre club	1,076	(1,076)	-
Reserved for memorials	4,566	(4,566)	-
Unrestricted			
Board designated for capital improvements	1,415	(1,415)	-
Undesignated	33,548	(33,548)	-
Total fund balances	43,305	(43,305)	-
Total liabilities and fund balances	<u>\$ 99,429</u>		
Net assets:			
Invested in capital assets, net of related debt		1,275,077	1,275,077
Restricted for Euchre club		1,076	1,076
Restricted for memorials		4,566	4,566
Unrestricted		38,477	38,477
Total net assets		<u>\$ 1,319,196</u>	<u>\$ 1,319,196</u>

See Notes to Financial Statements.

# Davison-Richfield Senior Citizens Authority

## Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance General Fund Year Ended June 30, 2008

	General Fund	Adjustment (Note 2 B)	Statement of Activities
<b>Expenditures/Expenses</b>			
Senior center	\$ 301,440	\$ 20,630	\$ 322,070
<b>Program Revenues</b>			
Intergovernmental:			
Local contributions - Municipal billings	30,000	8,010	38,010
Local contributions - Senior millage grant	240,132	-	240,132
Charges for services	43,202	-	43,202
Total program revenue	313,334	8,010	321,344
Net program revenue			(726)
<b>General Revenues</b>			
Miscellaneous income	5,654	-	5,654
Excess (deficiency) of revenue over expenditures/ change in net assets	17,548	(12,620)	4,928
<b>Fund Balance/Net Assets</b>			
Beginning of the year	25,757	1,288,511	1,314,268
End of the year	\$ 43,305	\$ 1,275,891	\$ 1,319,196

See Notes to Financial Statements.

## **Notes to Basic Financial Statements**

---

# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements June 30, 2008**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Davison Richfield Senior Citizens Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Richfield Senior Citizens Authority.

#### **A. Reporting Entity**

The Davison Richfield Senior Citizens Authority (Authority) was formed in September 1979, by an agreement between the City of Davison and Davison Township. Richfield Township entered the joint venture effective July 1, 1996 and withdrew effective June 30, 2008. The purpose of the Authority is to operate a senior citizens center to provide facilities for recreation and activities for senior citizens who live in the City of Davison, the Township of Davison, and the Township of Richfield. The agreement provides that operating expenses in excess of program revenues generated by activities of the Center will be funded equally between the three municipalities.

The Authority is governed by a seven-member Board appointed by the governing bodies of the participating members. The Authority is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal. The withdrawing municipality shall convey its interest to the other participating municipality and shall be reimbursed for its share according to a mutual payment plan which will be consistent with allowable budget expenditures.

Each of the three participating municipalities made a contribution, for a total of \$30,000 for the year ended June 30, 2008.

The accompanying financial statements present the government and its component units, legally separate entities for which the Authority is considered to be financially accountable. The Authority did not have any component units at June 30, 2008.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

# **Davison Richfield Senior Citizens Authority**

---

## **Notes to Basic Financial Statements June 30, 2008**

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **B. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenue*.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Authority does not have any proprietary or fiduciary funds to the extent that they meet the availability criteria above.

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenue, expenditures, and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on its balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources." Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.



# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements**

**June 30, 2008**

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government reports the following major governmental fund:

General Fund – It is used to account for all financial resources except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Cash**

The Authority's cash includes cash on hand and demand deposits.

##### **2. Prepaid items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

##### **3. Capital assets**

Capital assets, which include land, buildings, and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	39
Building	39
Vehicles	5
Furniture and equipment	7

# **Davison Richfield Senior Citizens Authority**

---

## **Notes to Basic Financial Statements June 30, 2008**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **D. Assets, Liabilities, and Net Assets or Equity**

4. Restricted cash

Restricted cash consist of deposits made by seniors to be used exclusively for upcoming trips.

5. Refundable advance

Refundable advance is funds received from Genesee County which would have to be returned if not expended for the grant purposes within the contract period.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of Government-wide and Fund Financial Statements**

#### **A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. The details of this difference at June 30, 2008 are as follows:

# Davison Richfield Senior Citizens Authority

## Notes to Basic Financial Statements

June 30, 2008

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Fund balances - Total governmental funds	\$ 43,305
Net pension asset	5,264
Compensated absences	(4,450)
Capital lease obligations	(693)
Capital assets - Net of accumulated depreciation	<u>1,275,770</u>
Net assets of governmental activities	<u>\$1,319,196</u>

#### B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures at the time of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The statement of activities also recognizes donated capital assets as revenue. The fund statement does not. The details of this difference for the year ended June 30, 2008 are as follows:

Net change in fund balances - Total governmental funds	\$ 17,548
Purchase of capital assets	31,515
Purchase of capital assets through a participating unit's grant	8,010
Loss on disposal of capital assets	(33)
Depreciation expense	(53,099)
Pension asset	5,264
Compensated absences	(4,450)
Payments on capital lease	<u>173</u>
Change in net assets of governmental activities	<u>\$ 4,928</u>

### Note 3 - Stewardship, Compliance, and Accountability

#### Budgetary Information

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements**

**June 30, 2008**

### **Note 3 - Stewardship, Compliance, and Accountability (Continued)**

#### **Budgetary Information (Continued)**

1. Prior to July 1, a proposed operating budget is submitted to the Authority Board for the year commencing July 1. The operating budget, which is prepared on a basis consistent with accounting principles generally accepted in the United States of America, includes total proposed expenditures, and the means of financing them, for the General Fund.
2. After the Board reviews the proposed budget, it is then sent to the three municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Authority Board.
3. Any revisions that alter the total expenditures of the General Fund must first be approved by the Board and then by each municipality.
4. Budget appropriations lapse at year end.
5. Budgeted amounts are reported on the financial statements as originally adopted and as finally amended by the Authority Board.
6. During 2008, total expenditures for the Authority exceeded budgeted amounts.

### **Note 4 - Detailed Notes on All Funds**

#### **A. Deposits**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated JP Morgan Chase for the deposit of its funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 as listed above. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk of bank deposits:

# Davison Richfield Senior Citizens Authority

## Notes to Basic Financial Statements

June 30, 2008

### Note 4 - Detailed Notes on All Funds (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$9,063 of bank deposits that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

##### Primary Government

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land *	\$ 115,437	\$ -	\$ -	\$ 115,437
Total capital assets not being depreciated	115,437	-	-	115,437
Capital assets being depreciated:				
Land improvements *	365,304	-	-	365,304
Building *	1,008,254	8,010	-	1,016,264
Vehicles	-	23,528	-	23,528
Furniture and fixtures	122,377	7,987	(3,325)	127,039
Equipment capital lease	985	-	-	985
Total capital assets being depreciated	1,496,920	39,525	(3,325)	1,533,120
Less accumulated depreciation for:				
Land improvements	(44,599)	(9,362)	-	(53,961)
Building	(173,799)	(25,853)	-	(199,652)
Vehicles	-	(4,706)	-	(4,706)
Furniture and fixtures	(104,441)	(13,037)	3,292	(114,186)
Equipment capital lease	(141)	(141)	-	(282)
Total accumulated depreciation	(322,980)	(53,099)	3,292	(372,787)
Total capital assets, being depreciated, net	1,173,940	(13,574)	(33)	1,160,333
Governmental activities capital assets, net	\$1,289,377	\$ (13,574)	\$ (33)	\$1,275,770

# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements**

**June 30, 2008**

### **Note 4 - Detailed Notes on All Funds (Continued)**

- \* All land, land improvements, and building were funded through federal grant dollars which will require program income from a sale to be returned to the granting agency.

#### **C. Defined Benefit Plan**

Plan description:

Effective July 1, 2006, the Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers one employee of the Authority. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding policy:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The employee is required to contribute 5% of gross wages. The Authority makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Authority's current rate was 14.43% of gross wages.

Annual pension cost:

For year ended June 30, 2008 the Authority's annual pension cost of \$7,978 for the plan was equal to the Authority's required actual contribution. The annual required contribution was determined as part of an initial actuarial valuation at July 1, 2006, using the entry age actuarial cost method.

Trend information:

	<u>Fiscal Year Ended June 30:</u>	
	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 45,754	\$ 7,987
Percentage of APC contributed	115%	100%
Net pension asset	\$ -	\$ 5,264

# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements**

**June 30, 2008**

### **Note 4 - Detailed Notes on All Funds (Continued)**

#### **C. Defined Benefit Plan (Continued)**

Annual pension cost (continued):

Actuarial assumptions:

Valuation date	December 31, 2007
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	29 years - open
Asset valuation method	10 year smoothed market
Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%

Actuarial Valuation as of December 31, 2007:

Actuarial value of assets	\$100,868
Actuarial accrued liability (entry age)	187,610
Unfunded AAL	86,742
Funded ratio	53.8%
Covered payroll	49,192
UALL as a percentage of covered payroll	176.3%

### **Note 5 - Risk Management**

The Authority is exposed to various risks at loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for coverage of all claims except full-time employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority pays unemployment claims on a reimbursement basis.

# **Davison Richfield Senior Citizens Authority**

## **Notes to Basic Financial Statements**

**June 30, 2008**

### **Note 6 - Capital Lease**

The Authority has entered into a lease agreement as lessee for financing the purchase of a copy machine. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2009	\$ 252
2010	252
2011	252
2012	<u>63</u>
Total minimum lease payments	819
Less amount representing interest	<u>(126)</u>
Present value	<u><u>\$ 693</u></u>



## **Required Supplementary Information**

---

# Davison-Richfield Senior Citizens Authority

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2008

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental -				
Local contributions - Municipal billings	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Local contributions - Senior Grant	225,000	225,000	240,132	15,132
Charges for services	33,000	33,000	43,202	10,202
Miscellaneous income	1,700	1,700	5,654	3,954
Total revenue	289,700	289,700	318,988	29,288
<b>Expenditures</b>				
Current:				
Director - salary	55,050	55,050	55,291	(241)
Assistant Director - Salary	32,490	32,490	32,625	(135)
Office staff - wages	21,840	21,840	8,417	13,423
MERS - Annual contribution	7,944	7,944	7,978	(34)
Payroll taxes	8,368	8,368	7,369	999
Program expenses	24,700	24,700	33,016	(8,316)
Office and operating supplies	4,500	4,500	7,712	(3,212)
Newsletters	21,600	21,600	25,594	(3,994)
Telephone	4,400	4,400	6,527	(2,127)
Insurance	7,500	7,500	6,096	1,404
Sewer and water	2,800	2,800	1,372	1,428
Gas	4,500	4,500	4,326	174
Electricity	9,000	9,000	10,199	(1,199)
Auditing fees	2,900	2,900	5,830	(2,930)
Repair and maintenance	29,900	29,900	42,509	(12,609)
Miscellaneous	1,550	1,550	9,277	(7,727)
Membership and conference	4,000	4,000	2,590	1,410
Transportation	250	250	1,699	(1,449)
Trips and travel	-	-	-	-
Memorial expense	1,000	1,000	-	1,000
Euchre expense	500	500	-	500
Capital outlay	44,908	44,908	33,013	11,895
Total expenditures	289,700	289,700	301,440	(11,740)
Excess of revenue over expenditures	-	-	17,548	17,548
<b>Fund Balance - Beginning of year</b>	25,757	25,757	25,757	-
<b>Fund Balance - End of year</b>	<b>\$ 25,757</b>	<b>\$ 25,757</b>	<b>43,305</b>	<b>\$ 17,548</b>

November 12, 2008

To the Authority Board  
Davison Richfield Senior Citizens Authority

We have audited the financial statements of Davison Richfield Senior Citizens Authority for the year ended June 30, 2008, and have issued our report thereon dated November 12, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 9, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Davison Richfield Senior Citizens Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Davison Richfield Senior Citizens Authority, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 7, 2008.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Davison Richfield Senior Citizens Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 12, 2008.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility relates to the organization's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

This information is intended solely for the use of Authority Board and management of Davison Richfield Senior Citizens Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script, appearing to read "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE